

# ***Loan Servicing Appeal***

## *Chapter 4.6*

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# Loan Servicing Appeal

## What is a loan servicing appeal?

A loan servicing appeal is an appeal that alleges a school's official cohort default rate includes defaulted Federal Family Education Loans (FFELs) or William D. Ford Federal Direct Loans (Direct Loans) that are considered improperly serviced for cohort default rate purposes. For this Guide, "improperly serviced" always means "improperly serviced for cohort default rate purposes only."

Figure 4.6.1 shows the time frame for submitting a loan servicing appeal.

## When is a defaulted FFEL considered improperly serviced for cohort default rate purposes?

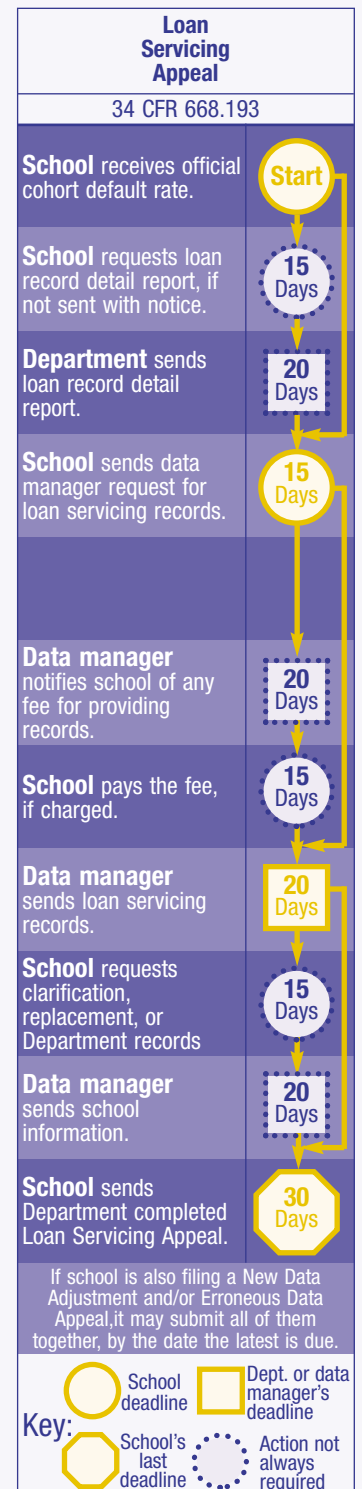
A defaulted FFEL is considered improperly serviced for cohort default rate purposes if one or more of the following occur:

- ❖ The borrower never made a loan payment, and the school can document that the lender was required but failed to send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan.
- ❖ The borrower never made a loan payment, and the school can document that the lender was required but failed to attempt at least one telephone call to the borrower.
- ❖ The borrower never made a loan payment, and the school can document that the lender was required but failed to submit a request for pre-claims assistance or default aversion assistance to the guaranty agency.
- ❖ The borrower never made a loan payment, and the school can document that the lender was required but failed to send a final demand letter to the borrower.
- ❖ The borrower never made a loan payment, and the school can document that the lender was required but failed to submit a certification (or other documentation) to the guaranty agency to demonstrate that the lender performed skip tracing.

34 CFR 668.193

Figure 4.6.1

Time Frame for Submitting a Loan Servicing Appeal



For cohort default rate purposes, skip tracing must be performed if the lender receives information before the 241st day of delinquency indicating that the borrower's address of record is incorrect. Skip tracing is not required for cohort default rate purposes if the lender has the borrower's correct address but does not have a record of the borrower's correct telephone number. (Prior to October 7, 1998, for cohort default rate purposes, performance of skip tracing had to be shown if the lender received information before the 151st day of delinquency indicating an incorrect address for the borrower.)

If the borrower makes at least one loan payment or if the lender timely performs all of the above-listed activities as appropriate, the loan is considered properly serviced for cohort default rate purposes. However, servicing and collection activities performed after sending the final demand letter will not be considered when determining if a loan has been properly serviced.

**When is a defaulted Direct Loan considered improperly serviced for cohort default rate purposes?**

A defaulted Direct Loan is considered improperly serviced for cohort default rate purposes if one or more of the following occur:

- ❖ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan.
- ❖ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to attempt at least one telephone call to the borrower.
- ❖ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to send a final demand letter to the borrower.
- ❖ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to document that skip tracing was performed if the Direct Loan servicer determined it did not have the borrower's current address.

If the borrower makes at least one loan payment or if the Direct Loan servicer timely performs all of the above-listed activities as appropriate, the loan is considered properly serviced for cohort default rate purposes. However, servicing and collection activities performed after sending the final demand letter will not be considered when determining if a loan has been properly serviced.

**Which schools are eligible to submit a loan servicing appeal?**

Any school that receives an official cohort default rate may submit a loan servicing appeal if it believes that its official cohort default rate calculation includes one or more defaulted FFELs or Direct Loans that were improperly serviced for cohort default rate purposes. This includes schools that are not subject to sanction and schools that have withdrawn from the FFEL and/or Direct Loan programs.

Any school may submit a loan servicing appeal for its most recent official cohort default rate. In general, schools that are subject to sanction may submit a loan servicing appeal for any official cohort default rate upon which the loss of eligibility is based. However, a school may not submit a loan servicing appeal for an official cohort default rate if the school previously submitted a loan servicing appeal for that official cohort default rate. Further, a school may not submit a loan servicing appeal for an official cohort default rate that was the basis, either entirely or partially, of a previous sanction.

**What benefit will a school gain from submitting a loan servicing appeal?**

If, as a result of a loan servicing appeal (or as the result of a school's submission of any adjustment or appeal), the U.S. Department of Education's (the Department's) Default Management determines that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, Default Management will remove those loans (or, if applicable, a valid statistical projection of the total number of borrowers who defaulted due to improper loan servicing) from the cohort default rate calculation and will recalculate the cohort default rate using the remaining data. This may lower or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though Default Management may revise a cohort default rate, subsequent copies of the loan record detail report for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of Default Management's final determination letter as the official record of the school's revised cohort default rate.

**What roles do the Department and data managers have in a school's loan servicing appeal?**

A data manager is required to review a school's request for loan servicing records if the request is submitted in a timely manner and the data manager has responsibility for the loans. If a school submits a request to the wrong entity, the request will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the loan record detail report identifies the data manager for a loan.

Data managers are responsible for providing loan servicing records for the loans they hold. The data manager may charge a fee not to exceed \$10 per borrower file. If the data manager chooses to charge a fee, it is not required to provide the records until after the school pays the full fee in a timely manner.

The data manager must respond to the school's request within 20 calendar days. However, the data manager must not review a request for loan servicing records if the school did not timely send the request for loan servicing records or make the payment within the appropriate 15-calendar-day time frame. If the data manager does not respond within 20 calendar days, the school should advise Default Management in writing of the delay.

The Department has two roles in the loan servicing appeal process. The primary role is to review a school's loan servicing appeal, which is submitted to Default Management once the school has received loan servicing records from the data manager and has determined that the loans were improperly serviced for cohort default rate purposes.

The Department's other role is to respond to a school's request for loan servicing records if the Department is the data manager for the loans. The Department is the data manager for FFELs the Department holds and for all Direct Loans.

Default Management is responsible for responding to a school's request for loan servicing records for FFELs that the Department holds. These loans are primarily identified in the loan record detail report with a guarantor/servicer code of 555. See the "Alphabetical Data Manager Contacts" section in Chapter 2.6, "General Information Tools," for a listing of other codes that identify the Department as the holder of a loan.

The Department's Direct Loan servicer is responsible for responding to a school's request for loan servicing records for all Direct Loans, even those that are in default. These loans are identified in the loan record detail report with a guarantor/servicer code of 0101.

## How does a school submit a request for loan servicing records?

Timing is critical when submitting a loan servicing appeal. A school begins the process by sending its request for loan servicing records to the data manager responsible for a loan within 15 calendar days of receiving the loan record detail report for the official cohort default rates.

If a school does not receive a loan record detail report for the official cohort default rates, and the school believes it may have grounds for a loan servicing appeal, it must request the loan record detail report for the official cohort default rates within 15 calendar days of receiving the official cohort default rate notification letter. See Chapter 2.3, "Loan Record Detail Report," for information on requesting a loan record detail report for the official cohort default rates.

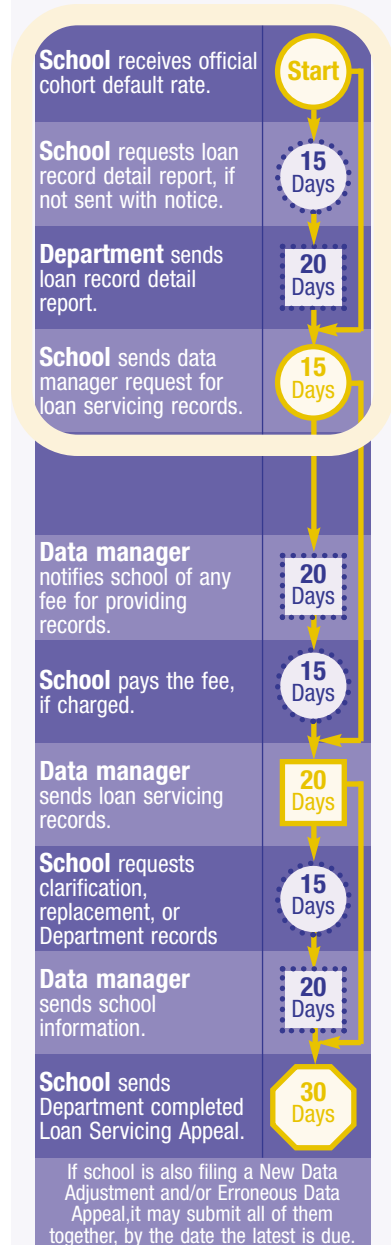
If a school believes the official cohort default rate calculation contains a defaulted loan that was improperly serviced for cohort default rate purposes, the school should request loan servicing records from the data manager. However, a school cannot file a loan servicing appeal on a loan that is considered in default because the loan met other specified conditions.

The loan servicing records are the collection and payment history records regarding a borrower that are

- ❖ submitted to the guaranty agency by the lender and used by the guaranty agency in determining whether to pay a default claim or
- ❖ maintained by the Direct Loan servicer and used by the Direct Loan servicer in determining the cohort default rate.

A school cannot request specific loan servicing records. If the data manager holds loans for 99 or fewer borrowers from the school, the data manager will select loan servicing records for all the borrowers. If the data manager holds loans for 100 or more borrowers, the data manager will select loan servicing records for a representative sample of the borrowers. The representative sample may or may not include the specific records a school wishes to review.

If one data manager is responsible for all the loans, the school will request loan servicing records only from that data manager. However, if there are multiple data managers involved, the school must prepare separate loan servicing records requests for each data manager, listing only the loans held by each data manager. For example, a school believes the loan record detail report contains three defaulted loans that were improperly serviced for cohort default rate purposes. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate requests for loan servicing records, one for each data manager.





The request for loan servicing records must include the following:

- ❖ A letter on the school's letterhead.

The letter must include the school's OPE ID number, a statement indicating that the school is requesting loan servicing records, and the cohort fiscal years to which the request applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Request for Loan Servicing Records." The letter must also include a notation that the school is sending a copy of the letter to Default Management. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.6.2 is a sample school letter requesting loan servicing records from a data manager.

- ❖ A copy of the entire relevant loan record detail report for the official cohort default rates being appealed.

The school must send a copy of the letter to Default Management at the same time it sends the request to the data manager. The school does not need to send copies of the loan record detail reports to Default Management at that time unless the school is requesting loan servicing records for a loan that the Department holds.

If a school that is subject to sanction is submitting requests for loan servicing records for multiple official cohort default rates, the school should submit all the requests in the same mailing to the data manager and Default Management. However, the school still needs to prepare separate requests for each cohort fiscal year.

Default Management recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the materials as well as copies of all electronic and hardcopy documentation submitted as a part of the loan servicing appeal process. If a school does not meet the 15-calendar-day time frame for requesting loan servicing records, the request will not be reviewed.

### **How does a school identify the data manager of a loan?**

As mentioned, the guarantor/servicer code on the loan record detail report shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See the "Numerical Data Manager Contacts" section in Chapter 2.6, "General Information Tools," for a listing of data manager codes and addresses.



**Figure 4.6.2 - Sample School Letter Requesting  
Loan Servicing Records to Data Manager**

Coralville College  
5029 Greta Avenue  
Coral City, Iowa 12345-5029  
1-987-654-3211

October 2, 2003

ATTN: Lesa Neiers, Compliance Officer  
State Guaranty Agency  
132 Ocean Front Road  
Black Diamond Bay, Nebraska 13213-0132

OPEID 098998

Subject: Cohort FY 2001 Request for Loan Servicing Records

Dear Ms. Neiers:

Coralville College, OPE ID 098998, is requesting the loan servicing records for the defaulted loans guaranteed and currently maintained by your agency and included in our school's cohort FY 2001 official cohort default rate. Please see the enclosed loan record detail report for the official cohort default rates.

Thank you for your consideration.

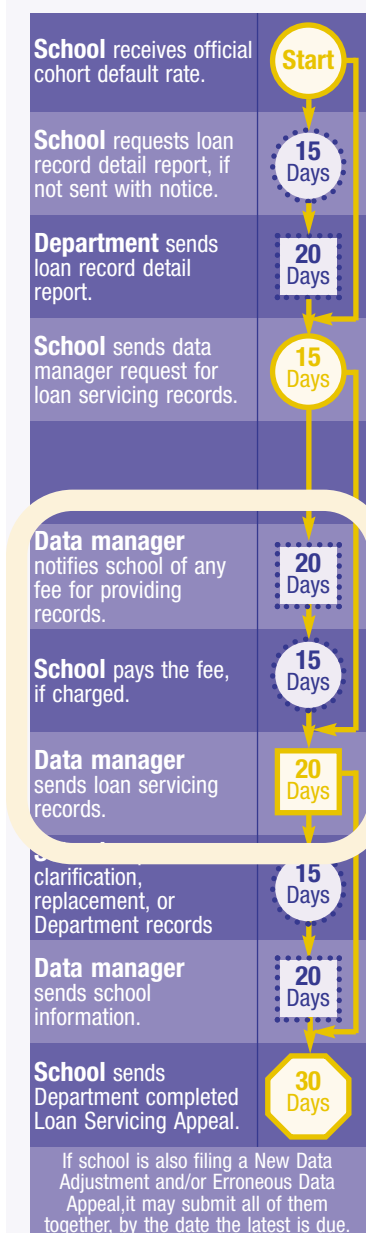
Sincerely,

A handwritten signature in black ink that reads 'Serena Rooney'. The signature is written in a cursive, flowing style.

Serena Rooney  
President, Coralville College

Enclosure

cc: U.S. Department of Education,  
Default Management



### What does a data manager do when it receives a school's request for loan servicing records?

Timing is critical when a data manager receives a school's request for loan servicing records. A data manager is required to respond to a school's timely submitted request for loan servicing records for those loans for which the entity is the data manager and send a copy of the response to Default Management. However, the data manager must not review a request for loan servicing records if the 15-calendar-day time frame for a school to submit the request for loan servicing records has expired. If the school's due date falls on a weekend or a federal holiday, a school may send its request for loan servicing records to the data manager no later than the next federal business day.

Before denying a school's request for loan servicing records on the basis of a late submission, a data manager should verify the actual date the school received its loan record detail report for the official cohort default rates from Default Management. If the school did not submit the request for loan servicing records in a timely manner, the data manager must not review any part of the request. In its response to the school, the data manager should explain that it is unable to review the request for loan servicing records because the school missed the regulatory deadline. The data manager must also send a copy of the response to Default Management.

The data manager must respond to a timely submitted request for loan servicing records within 20 calendar days of receiving the submission. If the data manager does not respond within 20 calendar days, the school should advise Default Management in writing of the delay.

If the request for loan servicing records is timely, the data manager must review the request. The data manager should determine the following:

- ❖ The data manager should determine if the request is appropriate.

Any school may submit a loan servicing appeal for its most recent official cohort default rate. In general, schools that are subject to sanction may submit a loan servicing appeal for any official cohort default rate upon which the loss of eligibility is based. Default Management will inform data managers each cycle of this information. However, a school may not submit a loan servicing appeal for an official cohort default rate if the school previously submitted a loan servicing appeal for that official cohort default rate. Further, a school may not submit a loan servicing appeal for an official cohort default rate that was the basis, either entirely or partially, of a previous sanction.

- ❖ The data manager should determine if the request for loan servicing records by the school is based on loans that the data manager currently holds.

If the data manager does not hold the loans, the data manager should notify the school that the request for loan servicing records must be submitted to the appropriate data manager and remind the school that the request for loan servicing records must be submitted to the appropriate data manager within 15 calendar days of the school's receipt of its loan record detail report for the official cohort default rates.

There will be some instances where the data manager was the former holder of the defaulted loans but those loans have been assigned to the Department and the loan record detail report for the official cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and Default Management a notice stating that the loans have been assigned to the Department. The school then has until 15 calendar days after receipt of the letter from the data manager to submit the request for loan servicing records to Default Management.

- ❖ The data manager should determine if all relevant material is present.

See the section of this chapter entitled "How does a school submit a request for loan servicing records?" for information on the materials a school is required to submit with its request for loan servicing records. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 15-calendar-day deadline for submitting the request for loan servicing records. If the school does not submit the additional information within the deadline, the data manager must not review the request for loan servicing records.

If the request is timely and appropriate, the data manager must determine if the data manager is required to provide loan servicing records for all of the loans or for a representative sample of the loans.

If a data manager currently holds defaulted loans associated with 99 or fewer borrowers in a school's official cohort default rate calculation, the data manager is required to provide loan servicing records associated with each defaulted loan included in the official cohort default rate calculation. Loans that are considered in default for other

specified conditions are not included. If a data manager currently holds defaulted loans associated with 100 or more borrowers in a school's official cohort default rate calculation, the data manager should identify a representative sample of the borrowers and only provide the loan servicing records for those borrowers included in the representative sample.

To select a representative sample, the data manager should first identify all of its borrowers with defaulted loans in the loan record detail report for the official cohort default rate that the school is appealing. Loans that are considered in default for other specified conditions are not included. The data manager should then identify a sample that is large enough such that the estimate derived from the sample is acceptable at a 95 percent confidence level with a plus or minus 5 percent confidence interval. The data manager is required to supply servicing records for each defaulted loan that is associated with a borrower included in the sample.

The Department has provided guidance to guaranty agencies on how to determine a representative sample. Guaranty agencies should refer to the Dear Guaranty Agency Director letter dated June 1994 for information on determining appropriate sample sizes. A copy of the Dear Guaranty Agency Director letter can be obtained by contacting Default Management at 1-202-708-9396.

If a data manager is required to provide loan servicing records for a representative sample, a school may not request loan servicing records for specific loans. If a school requests loan servicing records for specific loans, the data manager should inform the school that, because the data manager is supplying loan servicing records for a representative sample of loans, the specific loan servicing records the school requests may or may not be provided.

#### **What if the data manager requires that a fee be paid to obtain loan servicing records?**

Timing is critical when requesting a fee for loan servicing records. If the data manager charges a fee, the data manager must send the school a request for payment and send Default Management a copy of the payment request within 20 calendar days of receiving the request for loan servicing records. The fee may not exceed \$10 per borrower file.

Figure 4.6.3 is a sample payment request for loan servicing records letter. The letter must include a description of the method used to select the representative sample. The data manager must also send

**Figure 4.6.3 - Sample Data Manager Payment Request  
for Loan Servicing Records Letter to School**



132 Ocean Front Road  
Black Diamond Bay, Nebraska 13213-0132

October 7, 2003

Serena Rooney  
President  
Coralville College  
5029 Greta Avenue  
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2001 Payment Request for Loan Servicing Records

Dear Ms. Rooney:

This is State Guaranty Agency's response to the request by Coralville College, OPE ID 098998, for loan servicing records. State Guaranty Agency has identified 156 borrowers with 167 defaulted loans that are guaranteed by our agency and included in the FY 2001 loan record detail report for the official cohort default rates. Based on a total population of 156 borrowers we have determined that the representative sample of loan servicing records will consist of 119 borrowers and 125 loans. State Guaranty Agency used the method outlined in the Department's June 1994 Dear Guaranty Agency Director letter to select the representative sample.

Prior to providing the loan servicing records associated with the 119 borrowers' defaulted loans, the State Guaranty Agency is requesting payment of \$1,190.00. This payment is due within 15 calendar days of your school's receipt of this request.

Please see the enclosed spreadsheet.

Sincerely,

A handwritten signature in cursive script that reads "Yvonne Carter".

Yvonne Carter  
CEO

Enclosure

cc: U.S. Department of Education,  
Default Management

the school a list, in Social Security Number (SSN) order, of the borrowers included in the sample and the number of defaulted loans belonging to each borrower found in the loan record detail report for the official cohort default rates.

The school should send a notice along with its payment. The notice may be modeled on Figure 4.6.2, the sample loan servicing records request letter.

If the school does not make payment in full within 15 calendar days of receiving the request for payment, the data manager must notify the school and Default Management that payment in full was not timely received and that the school has waived its right to receive loan servicing records from that data manager.

### How does a data manager respond after it determines that it is appropriate to send the loan servicing records?

Timing is critical when sending loan servicing records. Within 20 calendar days of receiving a request for loan servicing records (if the data manager does not charge a fee for loan servicing records) or 20 calendar days of receiving payment (if the data manager charges a fee for the loan servicing records), the data manager must send the loan servicing records to the school.

When sending the school loan servicing records, the data manager response should include the following:

- ❖ A spreadsheet of the borrowers included in the representative sample and the defaulted loans for each borrower or an alternative method that provides the required information.

Figure 4.6.4 is a sample data manager loan servicing appeal response spreadsheet to a school. The instructions for creating

**Figure 4.6.4**

Sample Data Manager  
Response to a Request for  
Loan Servicing Records  
Spreadsheet to School

Type: Response to a Request for Loan Servicing Records  
Cohort FY: 2001  
From: State Guaranty Agency  
Code: 111  
To: Coralville College  
Code: 098998

Number of Borrowers: 119  
Number of Loans: 125

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Borrower's SSN	Borrower's Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Record?	Missing Record?	Improperly Serviced?
1														
2	777-77-7777	Green, Marcia	SF	1	No	04/08/2001	05/07/2001	No	11/07/2002	Yes	N/A	No	No	Yes
3	777-77-7777	Green, Marcia	SU	2	No	04/08/2001	05/07/2001	No	11/07/2002	Yes	N/A	No	No	Yes
4	888-88-8888	Kent, Dale	SF	2	No	12/08/2001	01/06/2002	05/16/2002	No	Yes	N/A	No	No	Yes
5	999-99-9999	Clark, Shirley	SF	1	No	11/10/2001	11/12/2001	12/15/2001	01/04/2002	Yes	N/A	No	No	No
6	999-99-9999	Clark, Shirley	SU	1	No	11/10/2001	11/12/2001	12/15/2001	01/04/2002	Yes	N/A	No	No	No

Date 10/07/2003

Page 1 of 10

and completing the spreadsheet are in the “Spreadsheet Tools” section of Chapter 4.11, “Challenge, Adjustment, and Appeal Tools.”

The only information a data manager is required to provide is in columns A-D of the sample data manager loan servicing appeal response spreadsheet. Although columns E-N of the sample data manager loan servicing appeal response spreadsheet are completed, a data manager is not required to complete these columns. However, a data manager may choose to complete the spreadsheet in order to assist a school. The data manager may also use an alternative method to assist a school.

- ❖ Copies of all loan servicing records relating to loans included in the representative sample (or, if the total number of defaulted borrowers is less than 100, copies of loan servicing records for each defaulted borrower).
- ❖ A letter on the data manager’s letterhead with the school’s name and OPE ID number.

The letter must indicate that the data manager is responding to the school’s request for loan servicing records and the cohort fiscal years to which the request applies. The letter must feature a subject line that reads “Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Loan Servicing Records Response.” The letter must state the total number of defaulted borrowers in the official cohort default rate calculation with loans serviced by the data manager and the total number of borrowers and loans for which loan servicing records are provided. If the data manager sends a representative sample, the letter must state the method used to determine the sample. The letter must also include a statement that a copy of the letter and the list of borrowers have been sent to Default Management. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer’s name and job title.



Figure 4.6.5 is a sample data manager response to a request for loan servicing records letter.

The data manager then sends its response to the school. The data manager must also send a copy of the letter and a copy of the list of borrowers to Default Management. The data manager does not need to send copies of the loan servicing records to Default Management.

If the school submitted requests for loan servicing records for multiple cohort fiscal years, the data manager should prepare separate responses for each cohort fiscal year. However, the data manager should send the separate responses to the school and Default Management in the same mailing.

If a data manager is unable to respond within 20 calendar days of receiving the school's request for loan servicing records, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that Default Management has been informed of the delay.

If a data manager can respond to only a portion of a school's request for loan servicing records within 20 calendar days, it should hold that portion of the response until it can provide a response to all of the school's request. The data manager should send a letter to the school and Default Management that provides the information outlined above.

A data manager can assist schools in reading the collection history by identifying the relevant collection activities for each loan. This may be done by completing the records portion of the loan servicing spreadsheet as shown in Figure 4.6.4, by highlighting the collection activities in the actual collection records provided to the school, or by creating a summary sheet outlining the abbreviation/codes associated with specific collection activities.

Within 15 days of receiving the loan servicing records, a school may request replacement records for missing or illegible records from the data manager. The data manager has 20 calendar days to respond. The data manager must either replace the missing or illegible records or notify the school and Default Management in writing that no additional or improved copies are available.

**Figure 4.6.5 - Sample Data Manager Response to a Request for Loan Servicing Records Letter to School**



132 Ocean Front Road  
Black Diamond Bay, Nebraska 13213-0132

October 7, 2003

Serena Rooney  
President  
Coralville College  
5029 Greta Avenue  
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2001 Response to a Request for Loan Servicing Records

Dear Ms. Rooney:

This is State Guaranty Agency's response to the request by Coralville College, OPE ID 098998, for loan servicing records. State Guaranty Agency has identified 156 borrowers with 167 defaulted loans that are guaranteed by our agency and included in your school's cohort FY 2001 loan record detail report for the official cohort default rates. Based on a total population of 156 borrowers, we have determined that the representative sample of loan servicing records provided to your school will consist of 119 borrowers and 125 defaulted loans. State Guaranty Agency used the method outlined in the Department's June 1994 Dear Guaranty Agency Director letter to select the representative sample.

Please see the enclosed spreadsheet and a copy of the loan servicing records.

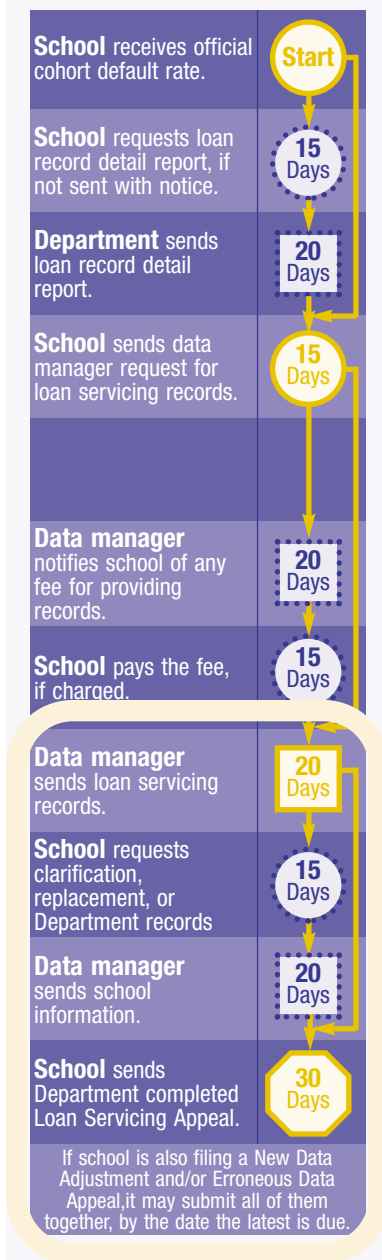
Sincerely,

A handwritten signature in cursive script that reads "Yvonne Carter".

Yvonne Carter  
CEO

Enclosures

cc: U.S. Department of Education,  
Default Management



### Which Department address does a data manager use for submitting a copy of the response to a request for loan servicing records?

See the “Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?” section in Chapter 4.11, “Challenge, Adjustment, and Appeal Tools,” for the address for Default Management. A data manager should not send a response to a request for loan servicing records to any other addresses at the Department.

Default Management recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the response to the request for loan servicing records as well as all other electronic and hardcopy documentation submitted as a part of the loan servicing appeal process.

The data manager can use this information when submitting monthly status reports to Default Management. For additional information on monthly status reports, see Chapter 3.2, “Data Manager Strategies.”

### What does the school do with the data manager's response to the school's request for loan servicing records?

Timing is critical for schools after receiving loan servicing records. The school must review the loan servicing records and determine how it will proceed. If the school receives a data manager summary of the information in the loan servicing records, the school should still review the records to ensure that the summary is accurate. If a school finds that a record identified as part of the representative sample is missing or illegible, the school may request replacement records from the data manager. The school has 15 calendar days to request the missing and/or illegible records. The data manager has 20 calendar days to respond to the request. The data manager must either replace the missing and/or illegible records or notify the school and Default Management in writing that no additional or improved copies are available.

Within 30 calendar days of receiving the last response to all of the school's requests for loan servicing records, the school must decide how to proceed and prepare a response to Default Management accordingly. If the records indicate that there are no improperly serviced loans for cohort default rate purposes in the school's official cohort default rate calculation, the school should notify Default Management that the school is withdrawing the appeal.

If the records indicate that there are improperly serviced loans for cohort default rate purposes included in the school's official cohort default calculation, the school should submit a loan servicing appeal to Default Management. The school must submit the loan servicing appeal within 30 calendar days of receiving the last response to its request for loan servicing records with the following exception: If the school is submitting the loan servicing appeal to Default Management along with a timely new data adjustment and/or a timely erroneous data appeal, the school may submit all materials by the later of

- ❖ within 30 calendar days of receipt of the last response to all of the school's [new data adjustment allegations](#),
- ❖ within 30 calendar days of receipt of the last response to all of the school's [erroneous data appeal allegations](#), or
- ❖ within 30 calendar days of receipt of the last response to all of the school's [requests for loan servicing records](#).

If the school does not submit the loan servicing appeal in a timely manner, Default Management will not review the loan servicing appeal and will return all loan servicing appeal materials to the school. If a school is submitting a loan servicing appeal for multiple cohort default rates, it should submit all the loan servicing appeals in the same mailing to Default Management. However, the school still needs to submit separate documentation for each loan servicing appeal.

The school must submit to Default Management the following:

- ❖ Copies of the data manager responses to the school's requests for records.
- ❖ A spreadsheet that lists the allegations.

**Figure 4.6.6**

**Sample School Loan Servicing Appeal Spreadsheet to Default Management**

Figure 4.6.6 is a sample school loan servicing appeal spreadsheet to Default Management. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Type: Loan Servicing Appeal  
Cohort FY: 2001  
From: Coralville College  
Code: 098998  
To: Default Management  
Code: N/A

Number of Borrowers: 2  
Number of Loans: 5

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Borrower's SSN	Borrower's Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Record?	Missing Record?	Improperly Serviced?	Data Manager Code
2	777-77-7777	Green, Marcia	SF	1	No	04/08/2001	05/07/2001	No	11/07/2002	Yes	N/A	No	No	Yes	111
3	777-77-7777	Green, Marcia	SU	2	No	04/08/2001	05/07/2001	No	11/07/2002	Yes	N/A	No	No	Yes	111
4	888-88-8888	Kent, Dale	SF	2	No	12/08/2001	01/06/2002	05/16/2002	No	Yes	N/A	No	No	Yes	111

Date 11/02/2003

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If the school receives a completed spreadsheet from a data manager, the school is still responsible for reviewing the loan servicing records and ensuring that the information the data manager listed on the spreadsheet is correct. The school should remove any loans that were properly serviced for cohort default rate purposes from the spreadsheet before sending the spreadsheet to Default Management. For example, compare Figure 4.6.6 to Figure 4.6.4. In Figure 4.6.6, borrower Shirley Clark has been removed because her loans were properly serviced for cohort default rate purposes.

- ❖ Copies of the loan servicing records. The school should not send loan servicing records for loans that were properly serviced for cohort default rate purposes.
- ❖ A letter on the school's letterhead.

Figure 4.6.7 is a sample school loan servicing appeal letter to Default Management. The letter must include the school's OPE ID number, a statement indicating that the school is submitting a loan servicing appeal, and a reference to the applicable cohort fiscal years to which the loan servicing appeal applies. The letter

**Figure 4.6.7 - Sample School Loan Servicing  
Appeal Letter to Default Management**



Coralville College  
5029 Greta Avenue  
Coral City, Iowa 12345-5029  
1-987-654-3211

November 2, 2003

U.S. Department of Education  
Default Management  
ATTN: Loan Servicing Appeal  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2001 Loan Servicing Appeal

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting an appeal of its cohort FY 2001 official cohort default rate based on allegations of improperly serviced loans. Please see the enclosed correspondence, spreadsheet, and loan servicing records, as identified on the spreadsheet.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this loan servicing appeal is true and correct.

Coralville College has also submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads 'Serena Rooney'.

Serena Rooney  
President, Coralville College

Enclosures

cc: State Guaranty Agency

must feature a subject line that reads “Subject: Cohort FY [insert cohort fiscal years being used in the loan servicing appeal] Loan Servicing Appeal.” The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to Default Management. Finally, there must be a notation that the school is sending a copy of the letter and the spreadsheet to the data managers of the relevant loans. The school’s President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer’s name and job title.

If a school that is subject to sanction is submitting requests for loan servicing records for multiple official cohort default rates, the school should submit all the requests in the same mailing to Default Management and the data manager. However, the school still needs to prepare separate requests for each cohort fiscal year.

**Which Department address does a school use for submitting a loan servicing appeal?**

See the “Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?” section in Chapter 4.11, “Challenge, Adjustment, and Appeal Tools,” for the address for Default Management. A school should not send loan servicing appeal materials to any other addresses at the Department.

Default Management recommends that a school send all loan servicing appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the loan servicing appeal as well as all electronic and hardcopy documentation submitted as a part of the loan servicing appeal process. If a school does not meet the time frame for submitting a loan servicing appeal, the loan servicing appeal will not be reviewed.

**What happens after the school submits the loan servicing appeal?**

Default Management will review only the information submitted with the loan servicing appeal and will not review information submitted after the deadline. Default Management will send the school and each involved data manager written notification of Default Management’s decision. Default Management’s decision is final and no further administrative review is provided.



If Default Management determines, using the standard of review described in 34 CFR 668.189(f), that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, Default Management will remove the loans (or, if applicable, a valid statistical projection of the total number of borrowers who defaulted due to improper loan servicing) from the cohort default rate calculation and will recalculate the cohort default rate based on the remaining data.

If the school was notified that it was subject to sanction and the loan servicing appeal is successful and the revised cohort default rate is below the sanction level, Default Management will withdraw that sanction notice. If the school was notified that it was subject to sanction and the loan servicing appeal is unsuccessful (or if the loan servicing appeal is successful but the revised cohort default rate remains above the sanction level), and the school has no other outstanding adjustments or appeals, Default Management will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

### School to Data Manager Loan Servicing Appeal Checklist

#### Determine

- ☐ Does the loan record detail report for the official cohort default rates contain defaulted loans that were improperly serviced for cohort default rate purposes? (See page [4.6-1](#))

#### Submit to Data Manager

- ☐ Loan Record Detail Report (See page [4.6-6](#))
- ☐ Letter (See page [4.6-6](#))
- ☐ Fee for Loan Servicing Records (if required) (See page [4.6-12](#))

### Data Manager to School Loan Servicing Appeal Checklist

#### Determine

- ☐ Was the school submission timely? (See page 4.6-8)
- ☐ Does the data manager hold the loans? (See page 4.6-9)
- ☐ Is all the material present? (See page 4.6-9)
- ☐ Does data manager hold more than 99 loans for school? (See page 4.6-9)
- ☐ If so, what is a representative sample of the loans? (See page 4.6-10)
- ☐ Is there a fee for the loan servicing records and, if so, how much is it? (See page 4.6-10)
- ☐ Has the school paid the fee for loan servicing records (if required)? (See page 4.6-12)

#### Response to School

- ☐ Request for fee (See page 4.6-10)

#### OR

- ☐ Spreadsheet (See page 4.6-12)
- ☐ Loan Servicing Records (See page 4.6-13)
- ☐ Letter (See page 4.6-13)

#### Follow-Up

- ☐ Send copy of response to Default Management (See page 4.6-14)
- ☐ Send monthly status report to Default Management (See page 4.6-16)

### School to Default Management Loan Servicing Appeal Checklist

#### Determine

- ☐ Do loan servicing records show that the loan record detail report for the official cohort default rates contains loans that were improperly serviced for cohort default rate purposes? (See page 4.6-17)
- ☐ Does the school have outstanding new data adjustment allegations or erroneous data appeal allegations? (See page 4.6-17)

#### Submit to Default Management

- ☐ Withdrawal Notice (See page 4.6-17)

#### OR

- ☐ Copy of Data Manager Loan Servicing Appeal Response (See page 4.6-18)
- ☐ Spreadsheet (See page 4.6-18)
- ☐ Copy of Loan Servicing Records (See page 4.6-18)
- ☐ Letter (See page 4.6-18)